Ministry of Agriculture

Agricultural Credit Corporation of Saskatchewan

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This annual report is also available in electronic format from the Ministry's website at *www.agriculture.gov.sk.ca*.

Letter of Transmittal

June 28, 2013

Her Honour, the Honourable Vaughn Solomon Schofield
Lieutenant Governor of Saskatchewan

May it please Your Honour:

As the Minister of Saskatchewan Agriculture, it is my pleasure to submit the Annual Report for the Agricultural Credit Corporation of Saskatchewan for the year ending March 31, 2013.

Respectfully submitted,

Lyle Stewart
Minister of Agriculture

Year in Review

The Agricultural Credit Corporation of Saskatchewan's (ACS) loan portfolio decreased from 2,389 loans totaling $26 million to 2,027 loans totaling $15 million.

ACS sold 1,859 acres of land assets this fiscal year for $0.7 million. ACS continues to hold 1,119 acres of land assets which were acquired as the result of loan settlements. These properties will be disposed of as leases expire.

The 2008 Short-term Cattle Loan Program provided low interest rate loans to cattle producers in response to the economic hardship they were facing. $34 million was advanced to 2,414 cattle producers under the program. There is $11.5 million outstanding on the 1,747 loans. Repayment on these loans was to commence in 2009. As a result of low market prices and high feed costs, the Minister of Agriculture provided producers an optional principal extension in 2009 and 2010. All loans came under repayment in 2011.

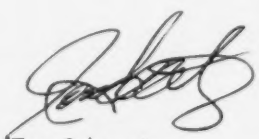
ACS continues to work diligently and sensitively with customers. There has been steady progress on the reduction of the loan portfolio.

Management's Responsibility for the Annual Report

ACS management is responsible for the preparation, integrity and fair presentation of the financial statements. The financial statements have been prepared in accordance with Canadian public sector accounting standards. Where estimates are used, they are based on management's best judgement. Financial and operating information provided elsewhere in the Annual Report is consistent with that contained in the financial statements.

ACS maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is accurate and reliable and that corporate assets are adequately accounted for and safeguarded. The Board of Directors oversees the systems of internal accounting and administrative controls. Management and the Corporation's external auditors meet periodically throughout the year to review their respective responsibilities and to discuss audit plans, the results of reviews of internal accounting controls, policies and procedures and the financial statements and notes thereto.

The Board of Directors has approved the financial statements and the other information in this Annual Report. In addition, the financial statements have been audited by MNP LLP whose report follows.



Tom Schwartz
Executive Director
Financial Programs Branch
Ministry of Agriculture
May 15, 2013

MNP LLP

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of Agricultural Credit Corporation of Saskatchewan which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Agricultural Credit Corporation of Saskatchewan as at March 31, 2013 and the results of its operations and accumulated surplus, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
May 13, 2013

MNP LLP
Chartered Accountants

Agricultural Credit Corporation of Saskatchewan

FINANCIAL STATEMENTS

March 31, 2013

Agricultural Credit Corporation of Saskatchewan
Statement of Financial Position
As at March 31, 2013
(in thousands of dollars)

	2013	2012
Financial Assets		
Cash and short-term investments *(Note 3)*	**2,810**	5,461
Accounts receivable	**21**	1
Loans receivable *(Notes 4 and 5)*	**12,891**	21,822
Assets held for resale *(Note 6)*	**5**	47
Net Financial Assets	**15,727**	27,331
Accumulated Surplus	**15,727**	27,331

Approved on behalf of the board

Director **Director**

The accompanying notes are an integral part of these financial statements

Agricultural Credit Corporation of Saskatchewan
Statement of Operations and Accumulated Surplus
For the year ended March 31, 2013
(in thousands of dollars)

	(Budget) (Note 11)	2013	2012
Revenue			
Operating revenue *(Note 8)*	**735**	**621**	1,143
Loan loss recovery	-	**1,071**	2,764
Counseling and Assistance for Farmers recoveries	-	**28**	75
Net gain on sale of assets held for resale	**200**	**661**	727
Assets held for resale net revenue	**25**	**18**	46
	960	**2,399**	4,755
Expenses			
Interest expense	**5**	**3**	3
Surplus for the year	**955**	**2,396**	4,752
Accumulated surplus, beginning of year	**49,358**	**27,331**	47,579
Transfer to the General Revenue Fund *(Note 10)*	-	**14,000**	25,000
Accumulated surplus, end of year	**50,313**	**15,727**	27,331

The accompanying notes are an integral part of these financial statements

Agricultural Credit Corporation of Saskatchewan
Statement of Changes in Net Financial Assets
For the year ended March 31, 2013
(in thousands of dollars)

	2013	2012
Surplus for the year	**2,396**	4,752
Transfer to the General Revenue Fund *(Note 10)*	**(14,000)**	(25,000)
Decrease in net financial assets	**(11,604)**	(20,248)
Net financial assets, beginning of year	**27,331**	47,579
Net financial assets, end of year	**15,727**	27,331

The accompanying notes are an integral part of these financial statements

Agricultural Credit Corporation of Saskatchewan

Statement of Cash Flows

For the year ended March 31, 2013
(in thousands of dollars)

	2013	2012
Cash provided by (used for) the following activities		
Operating transactions		
Surplus for the year	**2,396**	4,752
Items not affecting cash		
Loan loss recovery	**(1,071)**	(2,764)
Gain on assets held for resale	**(661)**	(727)
Other *(Note 9)*	**79**	162
Loan payments received	**9,903**	11,258
	10,646	12,681
Capital transactions		
Proceeds on disposition of assets held for resale	**703**	1,311
	703	1,311
Financing activities		
Transfer to the General Revenue Fund *(Note 10)*	**(14,000)**	(25,000)
	(14,000)	(25,000)
Decrease in cash and short term investments	**(2,651)**	(11,008)
Cash and short term investments, beginning of year	**5,461**	16,469
Cash and short term investments, end of year	**2,810**	5,461

The accompanying notes are an integral part of these financial statements

1. Status of Corporation

The Agricultural Credit Corporation of Saskatchewan (ACS/Corporation) acts as an agent of the Government of Saskatchewan and has provided financial assistance to encourage and promote the development and expansion of the agricultural industry in the Province. On March 28, 1996, the Government of Saskatchewan announced that the ACS portfolio would be wound down. All ACS employees were transferred to the Ministry of Agriculture; however ACS still is responsible for collection of the loan funds and monitoring loan collectability.

On December 21, 2007, the Government of Saskatchewan announced a new loan program called the Short-Term Cattle Loan Program. This loan program's funds were disbursed through ACS, and the program monitored and administered by ACS.

2. Significant Accounting Policies

a) Basis of Presentation

Pursuant to standards established by the Public Sector Accounting Board (PSAB), ACS is classified as another government organization. The financial statements have been prepared in accordance with Canadian public sector accounting standards.

b) Under Section 29 of The Agricultural Credit Corporation of Saskatchewan Act, the Minister of Agriculture may make grants to the Corporation out of monies appropriated by the Legislature. Grants may be provided for the payment of administration costs, for the payment of interest on funds borrowed, to defray losses on loans not repaid and for other purposes that may be determined by the Minister.

c) The Corporation records, as assets held for resale, the fair market value, at the date of acquisition, of assets acquired through settlement, quit claim or foreclosure. Fair market value is determined by the market value of the assets acquired. Assets held for sale are subsequently valued at the lower of its carrying amount or fair value less cost to sell. The income or loss from operations associated with these assets is recorded in the statement of operations. Assets held for resale are recognized as financial assets when PSAB's criteria are met for recognition.

d) Loans are recorded at the lower of cost and net recoverable value. Amounts included in the cost of loan receivable include principal, accrued interest and capitalized legal costs. Loans with concessionary terms are recognized as expenditure when the loan is made; loans expected to be recovered through future appropriations are recorded as expenditure; and loans advanced with forgivable conditions are recorded as expenditure. An allowance for impaired loans is maintained that reduces the carrying value of loans to their estimated realizable amount. A loan is classified as impaired when there is no longer reasonable assurance that the principal and interest will be collected in full. The Corporation records general allowances when evidence of impairment within groups of loans exists but is not sufficient to allow identification of individual impaired loans. ACS estimates impairment using a formula based on its loss experience for similar groups of loans in similar economic circumstances. Management performs a net present value calculation on a sample of loans within the loan portfolio and extrapolates the results of the analysis to the entire loan portfolio population. Estimated realizable values are determined by discounting the expected future cash flows at the effective interest rate inherent in the loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to underlying security value. As management identifies individual impaired loans, it assigns a specific allowance to the loan and adjusts the general allowance accordingly.

2. Significant Accounting Policies (continued)

e) Interest revenue earned on the outstanding loan balance is recognized as earned, based on interest rates specific to each individual loan program. Interest revenue is not accrued on loans where the collectability of principal or interest is not reasonably assured.

Short term investments are term deposits that are readily convertible to cash and with maturities of less than three months. The carrying value approximates their market value.

f) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the year. The Corporation reviews its overall allowance for loan loss and this process is subject to significant management judgement. Also, in determining estimates of net realizable value for its investments, the Corporation relies on assumptions regarding financial performance as well as general business economic conditions that prevail and are expected to prevail. Assumptions underlying the investment valuations are limited by the availability of reliable data and the uncertainty of future events. In addition, there is management judgement involved in estimating the fair value of assets held for resale. There is also judgement with respect to management's estimate of losses on loans as a result of the guarantee programs. Due to uncertainties inherent in these estimation processes, it is possible that changes in the future conditions may cause recorded amounts to change by a material amount in the near term. As adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. Cash and Short Term Investments

Interest rates for short term investments at March 31, 2013 ranged from 1.07% to 1.11% (2012 - 1.08% to 1.09%). Cash and short-term investments are comprised of the following:

	2013	2012
Cash	**236**	162
Short term investments	**2,573**	5,299
	2,810	5,461

4. Loan Programs

a) Capital Loan Program

Loans are repayable over terms not exceeding 25 years and bear interest at rates between 5% and 8%. Security on the loans varies and may include mortgages on real property, security agreements and guarantees.

4. Loan Programs (continued)

b) Short-term Cattle Loan Program

In January 2008, the Corporation implemented the Short-term Cattle Loan Program (STCLP) which provided livestock producers with low interest loans based on their livestock inventory at August 1, 2007. The interest rate is the government 90 day borrowing rate which was 1.10% at March 31, 2013 (2012 – 1.09%). The interest rate on the loans changes quarterly when the 90 day borrowing rate is set. The Ministry of Agriculture provided an optional principal payment deferral for 2009 and 2010. Loans are to be re-paid over the next 4 years. The loans are secured by general security agreements.

c) BSE Livestock Loan Guarantee Program

During the 2013 fiscal year, the Corporation paid out $nil (2012 - $nil) to honour guarantees on loans granted by financial institutions under the BSE Livestock Loan Guarantee Program. ACS acquired the loan once the guarantee was paid. The loans bear interest at prime plus 2%.

The loans are secured by promissory notes and, where applicable, by guarantees and general security agreements.

d) Livestock Drought Loan Program

During the 2013 fiscal year, the Corporation paid out $nil (2012 - $nil) to honour guarantees on loans granted by financial institutions under the Livestock Drought Loan Program (LDLP). ACS acquired the loan once the guarantee was paid. The loans bear interest at prime plus 2%.

The loans are secured by promissory notes and, where applicable, by guarantees and general security agreements.

e) Production Loan Program

Production loans were disbursed in 1986 to provide farmers, bee colony owners, potato producers and greenhouse operators with loans bearing interest at 6%, repayable in equal principal instalments over a term of three years. Amounts in arrears are at prime plus 2%. Subsequently, some loans were rewritten with longer terms to assist borrowers to repay their loans. These amended loans bear interest at an average rate of 7%.

The loans are secured by promissory notes, and where applicable, by guarantees and general security agreements.

f) Livestock Cash Advance Program

Effective August 1, 1993, customers with livestock cash advances began repaying the loans, bearing interest at the bank prime rate plus 2% over a maximum five-year period. Subsequently, some loans were rewritten with longer terms to assist borrowers to repay their loans. These amended loans bear interest at an average rate of 9%.

The loans are secured by promissory notes, and where applicable, by guarantees.

4. Loan Programs (continued)

g) AGMT (Agreement for Sale)

An AGMT loan is set up when a settlement has been reached with a client on other loan(s) and repayment of the agreed settlement amount requires more than six months to finalize. Loans bear interest at rates between 0% and 12% and are repayable between 6 months and 4 years.

h) Counselling and Assistance For Farmers Program

Effective August 1, 1992, ACS assumed responsibility for loans and guarantees which were outstanding under the Counselling and Assistance for Farmers Program. New guarantees were not issued under this program by the Corporation. The existing guarantees had been renewed until March 31, 1995 at which time the program was terminated.

5. Loans Receivable

	2013			2012		
	Gross	**Allowance**	**Net**	Gross	Allowance	Net
Capital Loans	**3,489**	**588**	**2,901**	5,205	734	4,471
Short-term Cattle Loans	**11,463**	**1,807**	**9,656**	19,637	2,767	16,870
BSE loans	**311**	**92**	**219**	435	156	279
LDLP loans	**44**	**12**	**32**	55	16	39
Production Loans	**41**	**5**	**36**	58	5	53
Livestock Cash Advances	**10**	**1**	**9**	12	1	11
AGMT	**38**	**-**	**38**	101	10	91
Counselling and Assistance For Farmers Loans	**-**	**-**	**-**	39	31	8
	15,396	**2,505**	**12,891**	25,542	3,720	21,822

6. Assets Held For Resale

	2013	2012
Cost – Land	5	47
	5	47

Assets acquired are a result of settlement, quit claim or foreclosure and the Corporation actively pursues the sale of these assets in a timely manner.

7. Investments

	2013	2012
Equity investments	500	500
Less: provision for investment loss	(500)	(500)
	-	-

8. Revenue

	2013	2012
Interest revenue	521	909
Investments	100	234
	621	1,143

9. Other

	2013	2012
Decrease in accrued interest on loans receivable	102	161
Increase in accounts receivable	(21)	1
	79	162

10. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown controlled ministries, agencies and corporations with which the Corporation is related. Account balances from these transactions are included in the statement of financial position and are settled on normal trade terms. Other transactions and amounts due to and from related parties and the terms of settlement are described in the financial statements and notes thereto.

	2013	2012
Interest expense	**3**	3

Certain administration expenses for the Corporation are paid for by Ministry of Agriculture. These costs amounted to approximately $833 (2012- $970).

During the year, the Corporation transferred $14,000,000 (2012 - $25,000,000) of surplus cash to the General Revenue Fund. The ACS Board, Treasury Board, and Cabinet approved the transfer of $14,000,000 of cash surplus to the General Revenue Fund (order in-council 84-2013).

11. Budget

The budget figures are presented for comparison purposes. The Board approved the budget on February 3, 2012.